

Message Text

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PAGE 01 GENEVA 03234 291814Z

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ACTION EB-11

INFO OCT-01 NEA-10 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 RSR-01

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FM USMISSION GENEVA

TO SECSTATE WASHDC 124

INFO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: ETRD, GATT, IN

SUBJECT: INDIAN TARIFF CHANGES

REF: (A) STATE 122730; (B) NEW DELHI 7427

BEGIN SUMMARY: INDIA WOULD PREFER CPS IGNORE AUXILIARY DUTIES BUT WILLING CONSIDER APPLYING FOR NEW WAIVER SINCE THEY ARE NOT COVERED BY EXISTING WAIVER FOR ADIPTION BTN AND TARIFF RATIONALIZATION. INDIA WILLING CONSULT IN GATT BOP COMMITTEE CONCERNING EXTENSION OF EMBARGO LIST IF US INSISTS BUT CONSIDERS LONG-STANDING GOI POLICY GATT-ABLE. STATISTICAL MATERIAL TO INITIATE ART. 28 RENEGOTIATIONS FOR INCREASES (OTHER THAN AUXILIARY DUTIES) IN BOUND RATES EXPECTED BE CIRCULATED END OF JULY. ACTION REQUESTED: SUGGEST US URGE GOI SEEK NEW WAIVER FOR AUXILIARY DUTIES. END SUMMARY

1. BAGCHI AND NARASIMHAN FROM NEW DELHI AND INDIAN ECMIN CHADHA VOLUNTEERED DISCUSS WITH US MISSION RECENT CHANGES
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PAGE 02 GENEVA 03234 291814Z

IN INDIAN TARIFFS AND IMPORT POLICY. CULBERT MET WITH

THEM JUNE 28.

2. INDIAN REPS CONFIRMED INFO PARA 1 REF B RE NOTIFICATION OF CHANGES TO GATT. SECRETARIAT HAS CIRCULATED GOI MEMO (43874 DATED 28 JUNE) COVERING INCREASES IN BOUND RATES AND AUXILIARY DUTIES. SEC HAS ALSO RECIVED AND IS NOW PROCESSING LONGER GOI MEMO FOR CIRCULATION UNDER GATT BOP PROCEDURES. SEC HAS HOWEVER NOT YET RECEIVED ANY NOTIFICATION FROM GOI ABOUT EXTENSION OF INDIAN EMBARGO LIST.

3. INDIAN REPS READILY CONCEDED AUXILIARY DUTIES ARE NOT RPT NOT COVERED BY EXISTING GATT WAIVER (L/3831) FOR RATIONALIZATION OF GOI TARIFF STRUCTURE. THEY SAID AUXILIARY DUTY IS TEMPORARY MEASURE IN ORDER HELP OVERCOME INFLATIONARY BUDGET DEFICIT. THEY STRESSED AUXILIARY DUTY IS APPLICABLE TO BROAD RANGE OF DOMESTICALLY-PRODUCED GOODS AS WELL AS IMPORTS AND THEY ESTIMATE RATIO OF INCOME FROM AUXILIARY DUTY WILL BE ABOUT 115 FROM DOMESTIC PRODUCTS TO 100 FROM IMPORTS. THEY SAID RATE APPLICABLE TO IMPORTS VARIES FROM ZERO TO FIVE TO TEN PERCENT ON GATT-BOUND ITEMS WITH ONLY TWO BOUND ITEMS ATTRACTING 10 PERCENT RATE.

4. INDIAN REPS EXPRESSED PREFERENCE THAT US AND OTHER CPS SIMPLY IGNORE TEMPORARY AUXILIARY DUTIES. CULBERT SAID US INTERESTED IN PRESERVING GATT DISCIPLINE AND WOULD PROBABLY FIND IT IMPOSSIBLE TO IGNORE INCREASES IN BOUND RATES WITHOUT WAIVER OR ARTICLE 28 RENEGOTIATIONS. INDIAN REPS INDICATED THEY WOULD CONSIDER APPLYING FOR SEPARATE WAIVER TO COVER AUXILIARY DUTIES IF US OR OTHERS INSISTED BUT SINCE AUXILIARY DUTIES WERE TEMPORARY CHARGES, ARTICLE 28 RENEGOTIATIONS OUT OF THE QUESTION.

5. INDIAN REPS SAID THEIR STATISTICAL PREPARATION FOR ARTICLE 28 RENEGOTIATIONS TO DEAL WITH INCREASES IN BOUND RATES OTHER THAN AUXILIARY DUTIES IS NEARLY FINSHED AND THEY HOPE CIRCULATE DATE BY END OF JULY. THEY POINTEDLY OBSERVED THAT ANY NEW CONCESSIONS BY GOI WOULD BE IN FORM OF BINDINGS AT CURRENT RATES.

6. DISCUSSION OF EXTENSION OF GOI EMBARGO BROUGHT OUT INDIAN LIMITED OFFICIAL USE

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PAGE 03 GENEVA 03234 291814Z

VIEW THAT THIS IS SIMPLY AN EXTENSION OF LONG-ESTABLISHED GOI POLICY TO PROTECT GOP (AND TO PROMOTE IMPORT SUBSTITUTION) WHICH THEY CONSIDER JUSTIFIED BY GATT RULES. WHEN CULBERT ASKED WHAT GATT RULE, ONE INDIAN SAID ART 18, ANOTHER SAID ART 12, ANOTHER SAID PART IV. THEY SAID RECORD OF LAST INDIAN BOP CONSULTATION TOOK NOTE OF INDIAN EMBARGO LIST WITHOUT SUGGESTION BY ANY PARTICIPANT THAT EMBARGO ILLEGAL. (MISSION NOTES THAT BOP/R/42

DECEMBER 1969 ESP PARA 19, 20, AND 27 APPEARS SUPPORT
INDIAN INTERPRETATION.)

7. INDIA REPS SAID THEY WERE WILLING TO UNDERGO GATT
BOP EXAMINATION IN FALL IF US OR OTHER CPS WISHED.

8. COMMENT. RECOMMEND WE BE AUTHORIZED TO ADVISE INDIAN
MISSION US CONSIDERS ARTICLE 25 WAIVER IS ONLY GATT-
CONSISTENT PROCEDURE TO JUSTIFY AUXILIARY DUTIES.BASSIN

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